

# **CALIFORNIA SCHOOL FINANCE AUTHORITY**

## **Meeting of the Board**

**Thursday, September 22, 2011**  
**11:00 A.M.**

**915 Capitol Mall, Room 587**  
**Sacramento, California 95814**

Deputy State Treasurer Tricia Wynne, serving as Chair, called the meeting to order.

### **Roll Call**

**Members Present:** Tricia Wynne, designated alternate for Bill Lockyer, State Treasurer  
Kathleen Moore for Tom Torlakson, Superintendent of Public Instruction  
Nick Schweizer, designated alternate for Ana Matosantos, Director of  
Finance

**Staff Present:** Katrina Johantgen, Executive Director

The Chair declared a quorum present.

### **Approval of Minutes**

The minutes of the July 11, 2011 Authority meeting were adopted as submitted.

Tricia Wynne introduced Ms. Deborah Yang, new STO staff counsel.

### **Executive Director's Report**

Katrina Johantgen, Executive Director, informed the Board members that Authority staff has been working on changes to the Charter School Facilities Program regulations which are due to the Board at the October 12, 2011 Board meeting. Additionally, staff has been working on the Credit Enhancement Grant Program regulations that are due before the Board in November 2011. As the California Charter School Association (CCSA) has a similar credit enhancement program, the Authority is working with CCSA as it develops its \$8.3 million Credit Enhancement Grant Program. CSFA also is working with CCSA and other stakeholders on a legislative agenda for next legislative cycle.

CSFA is also working with stakeholders on finding working capital solution for charter schools that are in the "Final Apportionment" phase of the Charter School Facilities Program (CSFP). This involves looking for ways in which charter schools can obtain capital to start building their projects until the State has more GO bond proceeds to disburse to projects in the Program.

Resolution No. 11-36 – Adoption of Policy Memo Regarding the Use of the Intercept Mechanism for Charter School Facilities Program Recipients

Ms. Johantgen explained that since the inception of the CSFP, CSFA staff has recommended that a handful of schools (given certain credit characteristics) be required to make their Program payments to the State using the intercept mechanism. Consequently, the Board has asked CSFA to look into adopting a blanket policy in which all CSFP participating schools must make their payment via the intercept mechanism; CSFA has statutory authority under both the CSFA Act and the Educational Code to implement the intercept mechanism when necessary. The Board was informed that the participating schools have already been notified of this change and no objection has been presented to the Authority; furthermore, for the schools that are already making payments via traditional methods like a check, they too have been notified that an Amendment to the Program Agreements will be need to be executed. However, given specific credit characteristics, the Authority can grant an exception to a charter school. Ms. Wynne agreed that including a provision to exempt some schools that have already been making payments in a timely manner is a good idea and the Board should seek ways, in the future and via this resolution, to delegate this discretion to the Executive Director.

It was moved, seconded, and passed unanimously to adopt the resolution 11-36 setting forth a policy regarding the use of the Intercept Mechanism for Charter School Facilities Program recipients.

Resolution No. 11-37– Approving Financially Sound Determination for the Charter School Facilities Program Application for Final Apportionment for Oakland Military Institute located in Alameda County, California

This agenda item will be taken up at a subsequent CSFA Board meeting.

Resolution No. 11-38 – Approving Amendments to the Regulations for the State Charter School Facilities Incentive Grants Program and Authorizing the Rulemaking Process

Ms. Johantgen presented the item related to the changes to the regulations that guide the State Charter School Facilities Incentive Grants Program. Ms. Johantgen highlighted the more substantive items for the Board's review. She noted that the proposed deletion of the overcrowded school district point category is due to the very low number of schools that receive preference points under this category; additionally, the aforementioned category has been replaced by the Overcrowding School Site category.

She highlighted the planned increase in the driving distance for the categories of Overcrowded School Site, API School Choice and AYP School Choice to 5 miles for suburban schools, and 10 miles for rural schools. This amendment is intended to account for (and make more competitive) charter schools in suburban and rural areas. Steven Theuring, Program Analyst, explained that urban schools benefit from the current 3 mile radius criteria more than schools in suburban or rural areas because of the obvious differences in density, geography, and population. As the goal of the Program is to award funds to charter schools that demonstrate the most need; high performing schools in suburban and rural areas that are serving low income students may have a greater chance of securing an award with the expansion of the miles used for assigning preference points.

Mr. Theuring also explained the addition of the “locale code” definition to the regulations. He added that a locale code is a label attached to each school, classifying where the school is geographically located, this classification system will be used when determining which schools qualify under the amended 5-mile radius and 10-mile radius. The locale code identifier is used by other national and state agencies.

Ms. Terri Kizer, Program Analyst, discussed further changes to the regulations that would formalize the deadlines for submitting information to the Authority for federal grant disbursements. She further added that if a school misses two consecutive semi-annual deadlines, the grant funds will revert back to the Authority and will be reassigned.

Mr. Jim Bush of School Site Solutions provided comments during the public comment period regarding the proposed changes to the federal grant program regulations. He expressed concern that the 5-mile and 10-mile radius changes to the regulations are not enough for schools located in certain rural areas to gain preference points for overcrowded school site and school choice. Ms. Johantgen explained that CSFA will work with the California Charter School Association and other stakeholders to evaluate the geographic information they use and consider expanding the proposed 10 mile radius.

It was moved, seconded, and passed unanimously to adopt Resolution No. 11-38, approving amendments to the regulations for the State Charter School Facilities Incentive Grants Program and authorizing the rulemaking process.

Resolution No. 11-39 – Approving the California School Finance Authority Post-Issuance Tax Compliance Procedures for Tax-Advantaged Bonds

Ms. Johantgen discussed that the Internal Revenue Service (IRS) recently revised a key form (known as Form 8038) that the Authority executes whenever tax-advantaged bonds are issued. The IRS revisions to Form 8038 impose new post-issuance reporting and other responsibilities on issuers. The form contains a new requirement that reads: “Check the box if the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated in accordance with the requirements of the Code and Regulations.” Additionally, Line 44 of the revised forms reads: “Check the box if the issuer has established written procedures to monitor the requirements of section 148.”

Ms. Johantgen explained that Orrick, Herrington & Sutcliffe LLP, worked with a number of the boards, authorities, and commissions to develop the written procedures to comply with the new requirements prompted by the IRS revisions to Form 8038. The procedures address three major issues, which are: 1) arbitrage rebate and yield; 2) use of bond proceeds and bond-financed or refinanced assets (including remedial action, if necessary); and 3) record keeping requirement.

Ms. Johantgen added that the Authority anticipates more bond closings in the future. Since the newly revised Form 8038, and the certifications embedded therein, is a requirement of a bond issuance closing, staff requested that the procedures be adopted and in effect as soon as possible. It was moved, seconded, and passed unanimously to adopt Resolution No. 11-39, approving the California School Finance Authority Post-Issuance Tax Compliance Procedures for Tax-Advantaged Bonds.

**Public Comment**

There being no additional public comments or other business to conduct, the meeting was adjourned.

Ms. Johantgen mentioned that the next CSFA board meeting is scheduled for October 12, 2011.

Respectfully submitted,

Katrina Johantgen  
Executive Director